



## European Newsletter

---

October, 2009

*U.S. Wheat Associates (USW) develops export markets by demonstrating the reliability, choice and value of U.S. wheat in over 90 countries. For more information, visit [www.uswheat.org](http://www.uswheat.org).*

### 1. Welcoming you for USW's upcoming Crop Quality Seminars in Europe

With harvest of Hard Red Spring (HRS) and durum wheat now being completed, U.S. Wheat Associates annual crop quality seminars are continuing on schedule, with nine seminars scheduled in seven European countries. The seminars will update buyers on this year's wheat grade and quality characteristics of the U.S. new crop and on the world wheat supply and demand situation.

Among the presenters will be Bert D'Appolonia, Professor Emeritus at North Dakota State University, and Goris van Lit, USW's Regional Director Europe, who will be accompanied by other USW staff. The seminars will take about two to three hours and will be followed by an informal luncheon / reception function.

Below please find a table including the final schedule of the 2009 Crop Quality Seminars indicating city, date, starting time and venue.

City	Date	Starting Time	Venue
Milan	November 10, Tuesday	11:00 AM	Associazione Granaria di Milano
Warsaw	November 12, Thursday	10:00 AM	Institute of Agricultural and Food Biotechnology
Oslo	November 13, Friday	10:00 AM	Hotel Scandic KNA
Antwerp	November 16, Monday	10:00 AM	Imexgra VZW
Barcelona	November 17, Tuesday	10:30 AM	Llotja de Cereals de Barcelona
Madrid	November 18, Wednesday	10:00 AM	Hotel Miguel Ángel
Porto	November 20, Friday	10:00 AM	Hotel HF Ipanema Porto
London	November 23, Monday	10:00 AM	Radisson SAS Hotel
Naples	November 24, Tuesday	11:00 AM	Associazione Granaria Meridionale, Borsa Merci Napoli

Registration for participation in the seminars can easily be done by sending an e-mail to [InfoRotterdam@uswheat.org](mailto:InfoRotterdam@uswheat.org). Please include the following details in your e-mail: (1) the seminar city of your choice, (2) company name, and (3) participant name(s).

Registration can also be done by contacting the US Wheat Associates office in Rotterdam by either phone +31 10 413 9155 or fax +31 10 433 0438.

We look forward to welcoming you at one of the mentioned locations.

## 2. Pricing Opportunities for Wheat Buyers



In the October 16 issue of *Wheat Letter*, U.S. Wheat Associates (USW) is reminding wheat buyers that market conditions are creating exceptional opportunities to buy, commit to future purchases, and take ownership positions in U.S. wheat. FOB Great Lakes prices of durum wheat for example currently are in the range of US\$ 200 to 210 per MT, the lowest level in a number of years and well below early season expectations.

Considering price in relation to quality, performance, and service, the market is now offering U.S. wheat at the best landed-cost value the world has seen in several years.

Supply and the declining U.S. dollar have much to do with current U.S. wheat value. The U.S. Department of Agriculture (USDA) World Agricultural Supply and Demand Estimates (WASDE) released Oct. 9 reported increased global wheat production by 4.0 million MT to 668 MMT. U.S. wheat production estimate also grew by eight percent over the Sept. WASDE. This year's wheat production is second only to last year's record 682 MMT crop.

In addition, as USW President Alan Tracy noted in the Sept. 17, 2009, issue of *Wheat Letter*, the inverse link between wheat prices and the strength of the U.S. dollar appears to be broken. Wheat prices have declined as the dollar has softened over several months; as a result, U.S. wheat represents a genuine bargain in importing countries' currencies.

The U.S. dollar has fallen more than 13 percent from its 2009 peak against a trade-weighted basket of currencies, and a declining dollar does make U.S. wheat more competitive in more markets. Ocean freight rates remain relatively low, which further improves U.S. wheat's value to importers.

With harvest pressure easing, today's low prices are most likely not sustainable. Instead of a predictable reaction to the bearish news from USDA, U.S. wheat prices rallied primarily in reaction

to positive export numbers and the dollar's decline. Buyers should now monitor planted area. U.S. wheat prices are well below cost-of-production and to farmers around the world that is a clear signal to plant less. Tight soybean stocks, a sharp reduction in wheat planted area, and any hint of yield problems in the next crop, could spark a new price rally.

The market signals are clear for buyers: it is an excellent time to invest in U.S. wheat.

### **3. Record Yields for Hard Red Spring and Durum**

This year the harvest of Hard Red Spring (HRS) and durum wheat was completed by the beginning of October, which is unusually late.

Recent USDA reports are forecasting big yields and corresponding large production for both HRS and durum wheat. The current average yield projection for HRS is 3,030 kg per hectare, beating the old record of 2,910 kg per hectare set in 2004. For durum the average yield is expected to be 2,940 kg per hectare, surpassing the record of 2,670 kg seen in 1992.

These strong yields mean production will be up even with a decline in acreage. HRS production is expected to increase by 8 percent or 1.1 MMT to 15.0 MMT and durum production is estimated at 3.0 MMT, up over 30 percent on the year. This is good news for buyers as supply levels are sufficient and overall quality appears to be strong. The situation is noticeably different than two years ago when buyers were scrambled for historically tight stocks.

The record productions are the result of the cool growing season with adequate moisture and little disease pressure. Late season moisture allowed grain to accumulate the maximum amount of dry matter prior to maturity and dry down. The yield records are remarkable considering that planting was significantly delayed by two to six weeks due to cold weather during the early spring.



#### **Hard Red Spring (HRS)**

HRS sample collection of 310 samples is complete. The production adjusted composite average test weight is 81.5 kg/hl compared to 80.0 kg/hl last year and 79.9 kg/hl for the five-year average. Total defects average is 0.9%, compared to an average of 1.8%. The average vitreous kernel is 71%, and an average grade of 1 NS. The production adjusted protein content is 13.2% (12% mb) compared to 14.3% last year and a five-year average of 14.4%. The flour protein content is 12.3%,


1.0% less than last year and the five-year average. Flour color and falling number values are similar to last year and the average.

## Durum

A total of 116 durum samples were received and the analysis showed 13.4% protein, test weight of 80.3 kg/hl, 1.1% dockage, and falling number value of 411 sec. Approximately 68 percent of the samples received had a grade of 1 HAD.

Compare this to data from 2008 showing 15.2% protein (12% mb), test weight of 78.0 kg/hl, 1.3% dockage, falling number value of 385 sec and an average grade of 2 HAD.

The table below summarizes the main test data of HRS and durum wheat.

	WHEAT DATA							GRADE FACTORS						
	Samples		MST	PRO	DKG	TKW	FN	Grade	Test Weight		FM	DMG	S&B	DEF
	Tst	Exp	%	%	%	gm	Sec		lb/bu	kg/hl	%	%	%	%
<b>Hard Red Spring</b>														
2009 Final	310	315	12.8	13.4	0.9	34.2	386	1 NS	62.0	81.5	0.0	0.2	0.7	0.9
2008 Final	340	340	12.0	14.5	1.0	31.2	411	1 NS	60.8	80.0	0.0	0.1	1.2	1.3
<b>Durum</b>														
2009 Final	116	121	11.9	13.4	1.1	42.3	411	1 HAD	61.7	80.3	0.0	0.1	0.8	0.9
2008 Final	122	126	11.9	15.2	1.3	38.2	385	2 HAD	59.9	78.0	0.0	0.2	1.4	1.6
Prepared by U.S. Wheat Associates - 3103 10th Street North - Suite 300 - 202 463-0999														

**Legend:** PRO = 12% Moisture Basis; TKW = 1000 Kernel Weight; FN = Falling Number; FM = Foreign Material; S&B = Shrunken and Broken; n/a = not available.

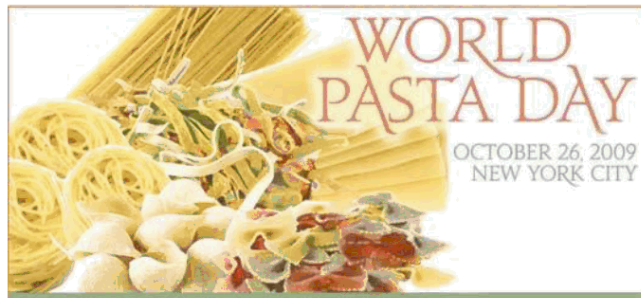
For wheat quality data of other US wheat classes such as Hard Red Winter (HRW) and Soft Red Winter (SRW), please visit our website: <http://www.uswheat.org/harvestReports>.

The average protein levels of this year's HRS and durum wheat are about one percent lower than last year. This year's lower protein levels are due to cooler than normal summer temperatures and record crop yields. Wheat protein and yields are inversely related, although the relationship varies by variety.

## 4. Wheat Industry News

- On October 26, food and commodity organizations worldwide will celebrate World Pasta Day (<http://www.worldpastaday.com/>) in New York City. The National Pasta Association and the International Pasta Organization are collaborating to host "World Pasta Day 2009," including a conference "with the world's leading pasta manufacturers to present the latest nutritional and scientific research on pasta." USW is a conference sponsor and will be

represented by President Alan Tracy, Past-Chairman Michael Edgar, Regional Director for Europe Goris van Lit and Regional Vice President for Central America Mitch Skalicky. The annual event will also include demonstrations from world-class chefs on preparing appetizing and healthy pasta recipes.



- Last week USDA reported winter wheat planting is 64% complete, 5% below both last year's rate and the 5-year average. Thirty-nine percent of the winter crop has emerged, just below the 5-year average of 40%.
- The CME Group has recently announced it would implement variable storage rates for its Chicago Board of Trade wheat futures contracts in an effort to facilitate convergence between futures and cash prices. CME plans to implement the variable storage rates with the expiration of the September 2010 contract.
- On October 1, U.S. Wheat Associates released its 2008-2009 *Annual Report* covering worldwide marketing activities and developments between June 2008 and May 2009 for all six classes of U.S. wheat. According to the report, the \$4.3 million USW received from wheat producers, combined with USDA's Foreign Agricultural Service program funding, helped return nearly \$7 billion in U.S. wheat sales in 2008/09, which meant the U.S. was able to hold its position as the world's leading wheat exporter. The Annual Report is posted on the USW website ([www.uswheat.org](http://www.uswheat.org)).

